



## **FACT SHEET: MCC and Honduras: Working Together to Improve Government Efficiency and Transparency**

The Millennium Challenge Corporation (MCC) and the Government of Honduras are working in partnership to implement a US\$ 15.6 million Threshold Program to improve public financial management and create more effective and transparent public-private partnerships. The program will help the Government of Honduras save money in the provision of public services, improve delivery of public services and reduce opportunities for corruption.

MCC's Threshold Program is designed to assist countries to implement key policy and institutional reforms that will contribute to reducing constraints to economic growth. MCA-Honduras, a Honduran government organization set up under the previous MCC compact but now used by multiple donors, will manage the program. The U.S. Treasury Office of Technical Assistance will implement a portion of the Public Financial Management Project. MCC will oversee the implementation, monitoring and evaluation of the Threshold Program.

The Honduras Threshold Program follows the successful implementation of the country's five-year, US\$ 205 million compact, which closed in September 2010.

### **Public Financial Management Project**

While the Honduran government has made important improvements in public financial management in the past few years, it faces challenges with formulating accurate budgets and promptly paying vendors, which has resulted in much higher costs for goods and services supplied to the government. It has also struggled to set proper procurement standards, which has resulted in the government getting less value for money to undertake the activities needed to provide the infrastructure and human capital necessary for growth.

The Threshold Program's Public Financial Management Project aims to increase the efficiency and transparency of public financial management by supporting activities designed to improve budget formulation and execution, planning, payments, procurement capacity and controls, auditing, and civil society oversight. The project has four activities:

- **Budget and Treasury Management:** The program will provide technical assistance to improve budget analysis and treasury management. The program will help build congressional capacity for oversight of the budget, improve congressional budget discipline by developing safeguards to ensure that planned deficit targets are not breached and provide better analysis and transparency of the cost implications of congressional mandates.
- **Improving Procurement Capacity, Planning and Controls:** The program will provide training to procurement staff in ministries to ensure knowledge of existing procedures and new policies for

sole-source procurements and contract amendments. It will also expand the online supply catalogue to include more products and allow more ministries to benefit from bulk pricing and reduced administrative burden and fiduciary risks.

- *Improving Capacity of the Tribunal Superior de Cuentas (TSC)*: This will provide support for specialized audit training including management, forensic and procurement audits, as well as the potential provision of associated equipment. It will also provide support for specific audits of new controls introduced under the Threshold Program or by the Honduran government in procurement, budget commitments, payments, or other areas of public financial management.
- *Grant Facility for Social Accountability*: MCC will provide funding to Honduran civil society organizations to undertake social accountability projects that have the ultimate objective of improving government efficiency and effectiveness.

The project's expected outcomes include transparent, non-discretionary procedures for payment prioritization when the treasury has insufficient cash to pay all obligations; improved procurement practices, including reduced use of sole-source contracting and increased use of an online catalogue; and enhanced internal and public dialogue about improving service delivery from government ministries.

### **Public-Private Partnerships Project**

The Honduran government is using public-private partnerships (PPPs) for many new projects and has taken initial steps to put the right institutional structure in place.

The Public-Private Partnerships Project aims to improve the efficiency and transparency of PPPs by supporting activities designed to increase the government's capacity to develop, negotiate, implement, and oversee PPPs.

The project has two activities:

- *Develop Core PPP Capacity*: MCC will provide support to improve the capacity and procedures of government agencies with key PPP responsibilities to develop PPPs in accordance with best practices. This includes support to develop manuals and internal procedures needed to properly select, prioritize, structure, and award PPP projects; identify and manage fiscal risks in its PPP portfolio; and training in using these manuals and procedures.
- *Design and Implementation of PPPs*: MCC will provide specialized technical assistance to improve administration of current PPPs, fund a study to identify and analyze options for structuring a new PPP related to Honduras' electricity sector and assist the Government of Honduras with implementation of a proposed PPP with a Honduran nongovernmental organization to provide e-government solutions sustained by user fees.

The project's expected outcomes include improved transparency in and accountability of PPPs, improved capacity in economic and financial analysis to improve the structuring of future PPPs,

improved capacity for the monitoring concessionaires, and proper government management in the road concession contracts that have already been signed.